




Lesson Plan

Itemized Deductions

Time Required: 45 minutes

Introduction	Objectives	Topics
This lesson covers itemized deductions, including which expenses taxpayers can include in their itemized deductions. The lesson also explains how to calculate taxable income.	Determine if a taxpayer should itemize deductions. Determine the type of expenses that qualify as itemized deductions. Accurately report itemized deductions on Schedule A.	 Itemized Deductions Medical and Dental Expenses Taxes that May be Deductible Interest Paid Gifts to Charity Miscellaneous Deductions

Key Terms

Adjusted Gross Income (AGI): The taxpayer's total adjusted gross income (AGI) is the amount used to compute some limitations, such as the medical and dental deduction on Schedule A and the credit for child and dependent care expenses.

Itemized Deductions: Itemized deductions allow taxpayers to reduce their taxable income based on specific personal expenses. If the total itemized deductions are greater than the standard deduction, it will result in a lower taxable income and lower tax.

Standard Deduction: An amount provided by law and based on filing status, age, blindness, and dependency that taxpayers can deduct from their adjusted gross income before tax is determined.

Teacher Tips

Guidelines for Lesson

Guideline	Instructor Notes	Presentation Aids
Lesson background info	Review the online demo of TaxWise on Income.	TaxWise® Demo: From the Practice Lab, select : <ul style="list-style-type: none"> • TaxWise IRS training • TaxWise Desktop Preparer with VITA/TCE Training menu or the TaxWise Online Preparer with VITA/TCE Training menu • Click the Taxable Income and Tax button
Provide details and engage the students	Discuss all tips and cautions in detail. Ask students to read and/or role-play examples and sample interviews. Review answers to each exercise; ask students how they arrived at their answers.	Internet: Link & Learn Taxes (L<) Itemized Deductions

Topic-specific Tips

Topic Name	Instructor Notes	Presentation Aids
Introduction	Review lesson objectives. Review list of references. State the presentation time.	Visuals: Form 13614-C , Section A Form 1040 , Page 2, Tax and Credits section Schedule A Pub 4012, Deductions tab
Itemized Deductions	Point out that generally taxpayers should itemize their deductions if their total allowable deductions are higher than the standard deduction amount. Refer to Pub 4012 and go over the steps for persons not eligible for the standard deduction.	Visuals: Pub 4012, Deductions tab: <ul style="list-style-type: none"> • Persons Not Eligible for the Standard Deduction Interview Tips • Interview Tips – Itemized Deductions • Form 1040, Page 2 – Deductions

Ask: Who would likely benefit from itemizing their deductions?
Answer: Taxpayers who have mortgage interest or a very large amount of unreimbursed medical/dental expenses compared to their income.

Remind students that casualty and theft losses are out of scope for VITA/TCE.

Refer to Pub 4012 Interview Tips and step through the questions in order to determine if a taxpayer should itemize.

Review the Tax Map, Tax Topics, and FAQ.

Internet:

[L< Itemized Deductions](#), Who Should Itemize?

Tax Map: [Persons not eligible for the standard deduction](#)

Tax Map: [Should I Itemize?](#)

FAQs: [My spouse and I are filing separate returns...](#)

Medical and Dental Expenses

Refer students to Pub 17, Medical and Dental Expenses chapter, table showing deductible and nondeductible expenses. Threshold amount increased to 10% for taxpayers under 65.

Remind students that qualified expenses do not include life insurance premiums, vitamins, or reimbursed hospital expenses.

Step through Pub 4012, Interview Tips about medical expenses.

Ask students to read examples in Pub 17, Medical and Dental Expenses chapter, Whose Medical Expenses Can You Include?

Review the Tax Topics, FAQ, and Tax Trails.

Review the Bill and Kathy Ferris exercise, which begins on slide 13.

Demonstrate TaxWise, Schedule A for Medical and Dental Expenses. Show students how the form walks through the computation.

Visuals:

[Pub 17](#), Medical and Dental Expenses chapter

Pub 4012, Deductions tab:

- [Interview Tips – Itemized Deductions](#)
- [Schedule A – Itemized Deductions](#)
- [Itemized Deductions Detail Worksheet](#)

[Schedule A](#), lines 1-4

Internet:

[L< Itemized Deductions](#), Medical and Dental Expenses

Tax Map: [What Are Medical Expenses?](#)

Tax Topics: [Medical and Dental Expenses](#)

FAQs: [My father is in a nursing home and I pay for the entire cost...](#)

		<p>Tax Trails: Medical Expenses</p> <p>TaxWise Demo:</p> <p>Link from Form 1040 to Schedule A.</p> <p>Link from Schedule A, line 1, to Detail Worksheet.</p>
Taxes that May be Deductible	<p>Refer students to Pub 17, Taxes Paid chapter, table Which Taxes can You Deduct?</p> <p>Ask: What are the major categories of taxes that may be deductible?</p> <p>Answer: State and local taxes, real estate taxes, and some other qualified taxes, such as foreign income taxes.</p> <p>Point out that a taxpayer who purchased a home during the tax year can only deduct the portion of real estate taxes attributable to the period they owned the home. The remainder should be added to the basis of the home.</p> <p>Point out that foreign income taxes may be claimed either as an itemized deduction or as a nonrefundable credit. Refer to the Foreign Tax Credit article on IRS.gov.</p> <p>Review the Tax Topics and FAQ.</p> <p>Review Pub 4012, Schedule A – Itemized Deductions, lines 5-9.</p> <p>Demonstrate TaxWise, Schedule A for Taxes You Paid.</p>	<p>Visual:</p> <p>Pub 17, Taxes Paid chapter, Which Taxes Can You Deduct?</p> <p>Pub 4012, Deductions tab:</p> <ul style="list-style-type: none"> • Interview Tips – Itemized Deductions • Schedule A – Itemized Deductions <p>Schedule A, lines 5-9</p> <p>Internet:</p> <p>L&LT Itemized Deductions, Taxes that May be Deductible</p> <p>Foreign Tax Credit - Choosing To Take Credit or Deduction</p> <p>Tax Topics: Deductible Taxes</p> <p>FAQs: Is the mortgage interest and property tax on a second residence deductible?</p> <p>TaxWise Demo:</p> <p>Link from Schedule A, line 5a, to F/S Tax Paid worksheet</p> <p>Link from Schedule A, line 5b, to Sales Tax worksheet</p>
Interest Paid	<p>Refer students to Pub 17, Interest Paid chapter:</p> <ul style="list-style-type: none"> • Table – Is My Home Mortgage Interest Fully Deductible? • Flowchart – Are My Points Fully Deductible? <p>Remind students that refinance points</p>	<p>Visuals:</p> <p>Form 1098</p> <p>Pub 17, Interest Expense chapter:</p> <p>Pub 4012, Deductions tab, Interview Tips – Itemized Deductions</p>

and personal interest are not deductible. Points from refinancing must be spread over life of loan, unless used to remodel.

Review the Tax Topics and FAQ.

Review Pub 4012, Schedule A – Itemized Deductions, lines 10-15.

Demonstrate TaxWise, Schedule A for Interest You Paid:

[Schedule A](#), lines 10-15

Pub 4012, Deductions tab, [Schedule A – Itemized Deductions](#)

Internet:

[L< Itemized Deductions](#), Interest Paid

Tax Topics: [Interest Expense](#)

Tax Topics: [Home Mortgage Points](#)

FAQs: [Real Estate \(Taxes, Mortgage Interest, Points, Other Property Expenses\)](#)

TaxWise Demo:

Link from Schedule A, line 10, to Mortgage Interest worksheet lines 10-15

- Line 10 enter amount from Form 1098, box 1
- For multiple mortgages, link to scratch pad to enter each interest item.

Gifts to Charity

Refer students to Pub 17, Contributions chapter.

Prompt students for examples of:

- Gifts to charity that are deductible
- Gifts to charity that are not deductible

Remind students to ask taxpayers about noncash contributions.

Review the Tax Topic and FAQ.

Review Pub 4012, Schedule A – Itemized Deductions, lines 16-19.

Point out that noncash contributions over \$500 are out of scope and taxpayers should be referred to a professional tax preparer.

Visuals:

[Pub 17](#), Contributions chapter

[Schedule A](#), lines 16-19

Pub 4012, Deductions tab, [Schedule A – Itemized Deductions](#)

Internet:

[L< Itemized Deductions](#), Gifts to Charity

[Search for Charities](#)

Tax Topics: [Charitable Contributions](#)

FAQs: [I donated a used car...](#)

	<p>Demonstrate TaxWise, Schedule A for Gifts to Charity, lines 16-19.</p>	<p>TaxWise Demo: Link from Schedule A, lines 16 and 19</p>
Miscellaneous Deductions	<p>Review L&LT Miscellaneous Deductions topic.</p> <p>Ask which two deductions are not subject to 2% limit. Answer: (1) Qualified gambling losses and (2) expenses for individuals with a disability that enable them to work</p> <p>Caution students that gambling losses in excess of winnings are not deductible.</p> <p>Discuss what types of miscellaneous expenses are not deductible.</p> <p>Refer students to Pub 17, Miscellaneous Deductions chapter.</p> <p>Review Pub 4012, Schedule A – Itemized Deductions, lines 21-27.</p> <p>Demonstrate TaxWise, Schedule A for Miscellaneous Deductions, lines 21-27.</p>	<p>Visuals: Pub 17, Miscellaneous Deductions chapter Schedule A, lines 21-27 Pub 4012, Deductions tab, Schedule A – Itemized Deductions</p> <p>Internet: L&LT Itemized Deductions, Miscellaneous Deductions Tax Topics: Miscellaneous Expenses</p> <p>TaxWise Demo: Link from Schedule A, lines 21-27</p>
Summary	<p>Review the lesson summary with the class.</p> <p>Review what is out of scope for the VITA/TCE program.</p>	<p>Visuals: L&LT Itemized Deductions, Summary</p> <p>L&LT Itemized Deductions: Click Assessments icon to review Summary and Exercises</p>
Practice	<p>Select the practice exercise on itemizing deductions.</p> <p>Ask students to select the problem based on their certification course of study.</p> <p>Verify they have correctly entered the interest and dividend income.</p>	<p>Visuals: Publication 4491-W Basic Comprehensive Problem and Practice Exercises Publication 4491-W Advanced Comprehensive Problem and Practice Exercises</p>

References	
L<	Itemized Deductions
Form 13614-C	Form 13614-C , Intake/Interview & Quality Review Sheet, Section A
Form 1040	Form 1040 , Tax and Credits section
Schedule A (Form 1040)	Schedule A, Itemized Deductions
Pub 4012, Volunteer Resource Guide	Pub 4012, Volunteer Resource Guide, Deductions tab Persons Not Eligible for the Standard Deduction Interview Tips Interview Tips – Itemized Deductions Form 1040, Page 2 – Deductions Schedule A – Itemized Deductions Itemized Deductions Detail Worksheet
Pub 4491-W	Pub 4491-W – Comprehensive problem, practice exercise(s) or supplements for the Tax and Credits section of Form 1040
Pub 17	Pub 17 , Part Five, Standard Deduction and Itemized Deductions
Optional	
Pub 502	Pub 502, Medical and Dental Expenses
Pub 526	Pub 526, Charitable Contributions
Pub 529	Pub 529, Miscellaneous Deductions
Pub 530	Pub 530, Tax Information for Homeowners
Pub 936	Pub 936, Home Interest Deduction

Recommended Classroom Activities



Tax Facts



Assessments



Media: Videos
& Audio



TaxWise
Tutorial



Job Aids



Practice
Lab



Tax Facts: Link & Learn Taxes Itemized Deductions

Click Tax Facts for a new way to access Link & Learn Taxes Itemized Deductions.



Assessments – Summary and Exercises

Click Assessments for a new way to access the Summary and Exercises in Link & Learn Taxes Itemized Deductions.



Media: Video & Audio for Lesson

There is no media associated with this lesson.



TaxWise Tips and Resources for Lesson


TaxWise screens	Main Information Screen
	Form 1040, Page 2 – Deductions
	Schedule A – Itemized Deductions
	Itemized Deductions Detail Worksheet
Practice Lab Tutorial	From the Practice Lab, select:
	1. TaxWise IRS training
	2. TaxWise Desktop Preparer with VITA/TCE Training menu or the TaxWise Online Preparer with VITA/TCE Training menu
	3. Taxable Income and Tax button
TaxWise Solution Center	https://support.taxwise.com/



Job Aids

ITA and FAQs for Lesson

Tax Map	Persons not eligible for the standard deduction http://taxmap.ntis.gov/taxmap/ts0/personsnoteligible_o_67bd84b3.htm
	What Are Medical Expenses? http://taxmap.ntis.gov/taxmap/pub17/p17-104.htm#TXMP1f489934

Tax Topics	<p>Itemized Deductions (All Topics)</p> <p>http://www.irs.gov/taxtopics/tc500.html</p>
FAQs	<p>Should I itemize?</p> <p>http://www.irs.gov/Individuals/Parents/Should-I-itemize%3F</p> <p>My spouse and I are filing separate returns...</p> <p>http://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Itemized-Deductions,-Standard-Deduction/Other-Deduction-Questions/Other-Deduction-Questions</p> <p>My father is in a nursing home and I pay for the entire cost...</p> <p>http://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Itemized-Deductions,-Standard-Deduction/Medical,-Nursing-Home,-Special-Care-Expenses/Medical,-Nursing-Home,-Special-Care-Expenses</p> <p>Real Estate (Taxes, Mortgage Interest, Points, Other Property Expenses)</p> <p>http://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Itemized-Deductions,-Standard-Deduction/Real-Estate-(Taxes,-Mortgage-Interest,-Points,-Other-Property-Expenses)</p> <p>I donated a used car...</p> <p>http://www.irs.gov/Help-&-Resources/Tools-&-FAQs/FAQs-for-Individuals/Frequently-Asked-Tax-Questions-&-Answers/Itemized-Deductions,-Standard-Deduction/Gifts-&-Charitable-Contributions/Gifts-&-Charitable-Contributions</p>
Tax Trails	<p>Medical Expenses</p> <p>http://www.irs.gov/uac/Medical-and-Dental-Expenses</p> <p>Is My Home Mortgage Interest Deductible?</p> <p>http://www.irs.gov/publications/p17/10311g33.gif-341175538.html</p>
Other	<p>Foreign Tax Credit – Choosing To Take Credit or Deduction</p> <p>http://www.irs.gov/Individuals/International-Taxpayers/Foreign-Tax-Credit---Choosing-To-Take-Credit-or-Deduction</p> <p>Search for Charities</p> <p>http://www.irs.gov/Charities-&-Non-Profits/Search-for-Charities</p>
References	<p>References for L&LT Itemized Deductions</p> <p>http://apps.irs.gov/app/vita/content/20/references.jsp</p>
 Practice Lab	
Practice Lab	<p>http://www.voltaxprep.com/</p>